CARESIDE®, Inc., has developed a revolutionary blood testing system. Designed to decentralize laboratory operations, the Careside System delivers test result accuracy and precision equivalent to that delivered by central blood testing laboratories for a broad menu of routine chemistry and hematology tests. The Careside System delivers test results within minutes following a patient blood draw and is designed to operate in the hospital nursing unit or the physician’s office.

Consisting of a desktop chemistry-testing instrument called the CARESIDE Analyzer™, disposable test cartridges, a hematology device called the CARESIDE H-2000™ Hematology Analyzer, and the CARESIDE Connect data management system, the Careside System performs blood tests at the same location as the patient. Careside’s innovative technology provides rapid test results within 6 to 12 minutes from the time of blood draw and enables those results to be delivered immediately to the physician while the patient is still present. This is opposed to the 4 to 24 hours physicians have traditionally been forced to wait for results to be transmitted from centralized hospital laboratories or commercial laboratories.

The detection and measurement technologies designed into the CARESIDE Analyzer enable chemistry, electrochemistry, coagulation and, in the future, immunochemistry tests to be performed within a single testing instrument. Currently, 41 tests have been FDA cleared/exempt on the instrument.

The CARESIDE H-2000 Hematology Analyzer, which can be integrated with the CARESIDE Analyzer, provides an 18-parameter complete blood count with a 3-part differential of white blood cells. Results are available 60 seconds after sampling. No other diagnostic instrumentation for decentralized blood testing currently offers the Careside System’s breadth of test menu or combines these test categories.

The Careside System is easy to use and can be operated by non-technical personnel with appropriate training. It also employs the same industry standard technology as large testing devices deployed in hospitals and commercial laboratories.
Dear Shareholders,

One year ago, my annual address detailed the tremendous progress we had made towards the development of a commercially viable Point-of-Care diagnostic system. I also indicated that we still faced numerous obstacles in bringing this product to market successfully. Today, it gives me great satisfaction to report both our success in completing the “last mile” to market with a reliable, technologically innovative system and an unprecedented interest in the product from a variety of exciting markets.

Our goal of providing, simply put, better care at a lower overall cost to the healthcare system, is today a reality. The Careside System, consisting of the CARESIDE Analyzer®, the CARESIDE H-2000 Hematology Analyzer, the CARESIDE Connect, and associated test cartridges and reagent solutions is easy to operate, provides cost-effective test results, and saves time for patients, doctors, and other health care providers. In medicine and in society the value of time has increased tremendously, and our value proposition to health care professionals is the saving of their time and that of their customer, the patient. We are currently exploring immediate opportunities to bring our system to all settings where tests are required for the care of patients – doctor’s offices, hospitals, nursing homes, home care organizations, military services and others.

We are committed to the belief that providing rapid test results at the Point-of-Care (POC) is compelling for patients, physicians, and payors. Nevertheless, we recognize that the adoption of our System represents a change to the established routine in most health care settings. Point-of-Care testing represents a paradigm shift away from the centrally controlled, batch, time-delayed testing system on which the clinical laboratory industry is currently structured. Our sales team is working diligently to increase the rate of market acceptance by aligning itself with distributors to assist in bringing the product to the market and by promoting the product in journals and trade shows, as well as selling directly to customers through the Careside sales force.

2000 marked a challenging, active and satisfying year for the management team as we began to introduce products into the health care market. Operational highlights of the 2000 campaign included increasing the strength of our patent position via new patents on our centrifuge technology; numerous honors in the medical and healthcare manufacturing press including a medical design excellence award for the best new in vitro diagnostic product brought to the market; expanding our diagnostic platform via FDA clearance of 41 new tests; and enhancing our usability and connectivity within our customer facilities by introducing the CARESIDE Connect. Also significant was our successful raising of approximately $15 million in new funds from the capital markets during what was a challenging environment for development stage ventures.
In early 2000, we began placing products in customer sites for the purpose of evaluation and testing their performance and reliability. We worked with more than five different customers to complete this “Beta Testing” process which involved an eight to ten month period to validate product design and engineering, establish manufacturing quality control, and insure product quality and performance. Our organization is very grateful to those customers and partners who worked with us to secure product consistency. These customers included hospitals, clinics, and physicians’ offices. During the course of the beta testing cycle our engineers were able to improve the device and the testing performance through a number of design and manufacturing changes. Toward the end of this cycle, we engaged an outside consultant to evaluate the changes that were completed and asked for further recommendations. The outcome of this external review confirmed that the product’s design and operation are robust and sound. As a consequence of this and a lot of other work, we released the CARESIDE Analyzer with enhanced capabilities to the market in late November 2000.

During the year, we strengthened our intellectual property portfolio by securing a third patent on our test cartridges. Pending still are a number of additional patents on a variety of technologies associated with our devices and cartridges.

The CARESIDE Analyzer was recognized during the year as an exciting new platform for testing and was named the gold medal winner in the in vitro Diagnostics category in the Medical Design Excellence Awards competition. This is the highest award available in this category. The award recognized innovation and engineering excellence in a product that provides a comprehensive menu of fast and accurate test results. The awards panel selected the CARESIDE Analyzer for its small footprint, its ability to deliver accurate test results within minutes, its data storage and transmission capabilities and its ability to reduce the cost and time required for patient care.

Our exceptional research and development staff also continued its progress during the year. Careside received FDA approval for a number of new tests to be run on the CARESIDE Analyzer during 2000, including hemoglobin, hematocrit and cholinesterase. These test expansions are continued evidence that the CARESIDE Analyzer is a
robust testing platform capable of supporting an unequalled range of current and yet-to-be-devised tests at the Point-of-Care.

During 2000 we also incorporated a new product into the Careside System called the CARESIDE Connect universal data acquisition system. This is a data management instrument designed for use in physician offices, labs, hospitals and larger health care systems. The CARESIDE Connect provides a low-cost software capability to communicate with any diagnostic device that has a serial input/output connection. Although developed to move data from the CARESIDE Analyzer and the H-2000, it can also interface with other lab instruments or monitors. The data can then be moved into a clinical record system, a laboratory system, or wherever the customer requires the data to be sent to benefit the care of the patient.

Today, we are moving ahead with aggressive marketing and sales programs as well as value-added services all focused on supporting Careside’s penetration of the Point-of-Care market to gain acceptance as the leader in decentralized lab operations. In the balance of this year, look for a ramp up in customer placements, distribution agreements in several geographic and specialty markets, a revised website, much more customer testimony, improved software and an even larger test menu. 2001 is a critical year for the company to create market interest in its products, and we have never felt more positive about our System or about the needs within the markets that it will serve.

In closing, I would like to thank our employees and customers for their continued support and make a pledge to all of our shareholders. We will demand of ourselves and our partners a singular focus of expanding market presence and achieving profitability. The Careside of today is far different than that of last year and it will continue to evolve as tomorrow’s opportunities warrant. There are two constants on which our shareholders can rely: a dynamic and relentless drive to lead the Point-of-Care market and an unceasing commitment to increasing value as the stewards of your investment.

Sincerely,

[Signature]


FDA Clears the Electrochemistry (NA+, K+, CL-) Lab Use Tests
30th Lab Use Test receives FDA Clearance and/or Exemption
Initial Public Offering
FDA Clears a Coagulation (PT) Lab Use Test
FDA Clears the CARESIDE Analyzer for Point of Care use
Acquire H-2000 (Texas Int’l Labs)
Begin Beta Site Testing
Introduce CARESIDE Connect Launch CARESIDE Analyzer/40th Test receives FDA Clearance and/or exemption

Test results are available within 15 minutes or less.

Test results can be printed out, viewed on the screen or downloaded to a pc or lab management program.
The CARESIDE Analyzer uses proven, industry standard technologies to produce test results equal to large lab analyzers.
The CARESIDE Analyzer provides test results in just 6 to 12 minutes. The compact device is made of high-impact plastic, measures approximately 13 x 12 x 11 inches and weighs roughly 20 lbs. The top of the instrument primarily consists of a touch screen, on which the user inputs patient, physician and billing information, chooses the tests that are to be conducted, and adds any necessary commentary. By following the on-screen menu — similar to that of a bank’s automated teller machine — users are prompted to fill in the necessary data just by using the instrument’s touch screen. Data is then stored on the CARESIDE Analyzer’s quality control and quality assurance software. The system captures most of the data required to comply with the Clinical Laboratory Improvement Amendments (CLIA) of 1988 and also contains a CLIA-compliant security system. The system’s software — equal to that of central laboratories — is designed to govern testing of one patient at a time, interpret the data, flag any data that is out of normal limits, perform quality assurance and quality control documentation and conduct all test ordering processes. The interface system can be customized for individual users. Results are delivered in 6 to 12 minutes via the screen, a printed card and/or an electronic data transfer. Test results can also be downloaded onto a floppy disk. Caregivers can then immediately review the results with the patient.

Each Careside test cartridge is patented and disposable with pre-mixed reagents, which precludes the error-prone process of manually preparing test reagents. Cartridges can be used directly from the refrigerator, thereby saving 30 to 60 minutes of warm-up time normally required by other POC cartridges. Internally, the cartridges have four distinct designs for conducting chemistry, electrochemistry, coagulation and immunochemistry tests on a single instrument. After inputting all of the data on the instrument’s touch screen, the user chooses the appropriate Careside test cartridge — about the size of a microcassette — and places two or three drops of a patient’s blood into the cartridge with a transfer pipette. Samples do not need to be measured precisely, as the channels within each cartridge automatically measure and control how much of the sample is applied to the reagent. A hinged lid seals the cartridge once the sample has been applied, protecting the user from exposure to the specimen. The barcoded test cartridge is then loaded into the instrument. Up to six cartridges of a single patient’s blood can be tested at the same time. The user then presses “Start,” and the instrument automatically performs the tests after first warming the cartridge and specimen to the proper temperature of 37°C Centigrade.
The CARESIDE Connect brings convenience to data management.

CARESIDE Connect is designed for use in physician office labs and other near-patient settings such as outpatient clinics and hospital nursing units, as well as emergency and intensive care departments. A Pentium-based computer with a Windows NT operating system, CARESIDE Connect uses proprietary, high-level software system to collect, store, analyze and display patient data from any instrument that has a serial I/O connection. It can interface up to 16 individual Point-of-Care testing devices such as blood test analyzers, blood gas and blood pressure monitors, vital sign, fetal, maternal or urinalysis monitors. It collects all the data from these devices, and through its sophisticated software program translates the information into a universal data format. This information can then be transmitted into any data management application necessary for physician office labs, clinical, laboratory or hospital information systems. The CARESIDE Connect can also be used as a central data-acquisition server to collect data from any instrument located at remote testing sites throughout a city, state or anywhere in the United States through a wide area network or the Internet. The device can be operated in a wired or wireless format.

Increasingly, it is necessary not just produce a test result but electronically transfer and store the results in other systems.

The H-2000 offers an inexpensive solution to hematology testing.

The H-2000 desktop hematology analyzer is designed to stand alone or work in tandem with the CARESIDE Analyzer. With a few microliters of whole blood, the hematology analyzer provides a 16 or 18 parameter complete blood count (CBC), including a three-part differential of white blood cells. It produces results for a full CBC test in about one minute. The device is fully automatic and self-cleaning and is equipped with a Pentium class processor for powerful data management.

An 18 parameter hematology test has been approved on the H-2000 which addresses the most frequently ordered outpatient tests.
Hematology represents 25% of all outpatient tests ordered. The H-2000 meets this need.

Affordable

Retrieving diagnostic results is now simplified with CARESIDE Connect.
Corporate Information

BOARD OF DIRECTORS
W. Vickery Stoughton
Chairman of The Board, CEO
Careside, Inc.

Anthony P. Brenner
Managing Director
Crosslink Capital

William Flatley
President, CEO
Executive Health Group

Kenneth N. Kermes
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Riparian Partners

C. Alan MacDonald
President
Club Management, Inc.

Diana J. Mackie
Vice President
Glaso SmithKline

MANAGEMENT
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James R. Koch
Executive Vice President, CFO

Thomas H. Grove Phd.
Executive Vice President, CTO

Dennis Rieger
Senior Vice President, CTO

Sandra Twyon
Vice President, Operations

Kenneth Asarch
Vice President, Regulatory Affairs

Grant Frazier
Vice President, Marketing

George Saiz
Vice President, Manufacturing

STOCK MARKET INFORMATION
Stock Exchange: AMEX  Symbol: CSA
Initial Public Offering:  June 16, 1999

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As of March 21, 2000 the Company had approximately 2,395 stockholders including both beneficial and registered owners. Careside has not paid dividends on its common stock and does not expect to do so in the foreseeable future.

TRANSFER AGENT AND REGISTRAR
American Stock Transfer
New York, NY
Telephone: 212-659-2200

LEGAL COUNSEL
Pepper Hamilton LLP
Philadelphia, PA

INDEPENDENT PUBLIC ACCOUNTANTS
Arthur Andersen, LLP
Los Angeles, CA

FORM 10-K
A copy of the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission will be provided, without charge, upon written request to the Investor Relations Department at the company headquarters address below.

The company’s audited financial statements and notes thereto, the supplementary financial information and management’s discussion and analysis of financial condition and results of operations, all of which are required to be furnished to stockholder’s, are included in the Company’s Annual Report on Form 10-K, a copy of which is included in the back pocket of the Annual Report being provided to stockholders.

ANNUAL MEETING
The Annual Meeting of Stockholders will be held at 2 p.m. on Tuesday, May 15, 2001 at the Sheraton New York Hotel and Towers, 811 7th Avenue, 52nd Street, New York, NY.

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